

**PELLA COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2011**



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**Pella Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2011**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Marv Van Wyk	President	2011
Joan Corbin	Vice President	2013
Jennifer Palmer	Board Member	2011
Gregg Gustafson	Board Member	2013
Katie Peterson	Board Member	2013
<b>School District Officials</b>		
Mark Wittmer	Superintendent	2011
Jon E. Miller	District Secretary/Treasurer	2011
Ron Peeler	Attorney	Indefinite



## Independent Auditor's Report

To the Board of Education of Pella Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pella Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011 on our consideration of Pella Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pella Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

December 6, 2011

**Pella Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2011**

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The Pella Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

**Financial Highlights**

- General Fund revenues for FY11 were \$19,791,841 compared to \$17,664,311 for FY10. This was a increase of \$2,127,530 or 12.04%.
- General Fund expenditures for FY11 were \$18,960,038 compared to \$18,343,582 for FY10. This was an increase of \$616,456, or 3.36%.
- The District's General Fund unassigned fund balance for FY11 was \$1,762,310 compared to \$883,598 for FY10. This was an increase of \$878,712, or 99.45%. This increase was due primarily to the carryover ARRA funds from FY10.
- The Financial Solvency Ratio is an accepted measure of the district's financial health and is calculated by taking the General fund unassigned fund balance divided by the total revenues. This ratio increased from 5.0% in FY10 to 8.9% in FY11. The District attempts to target a solvency ratio between 5% and 10%.
- The District ended FY11 with a special education deficit of \$334,261. This compares to \$486,270 for FY10, a decrease of \$152,009.
- In general, the 2010-2011 School Year was a positive one financially. Prior year cost saving measures as well as the use of the ARRA Stimulus money helped stabilize the financial position of the district. While the on-going stability and predictability of future funding remains somewhat questionable, the district is reasonably well positioned to withstand these challenges.
- A ten year comparison of the District's assessed valuations, tax increment financing and total tax rates are as follows:

<b>Year</b>	<b>Assessed Valuation</b>	<b>Tax Increment Financing</b>	<b>Total Tax Rate - %</b>
2010-2011	\$ 603,931,771	49,332,363	13.99439
2009-2010	603,548,029	34,192,965	13.83649
2008-2009	551,197,053	58,983,585	13.84418
2007-2008	478,010,818	72,596,699	13.88073
2006-2007	470,138,907	68,740,308	13.41259
2005-2006	463,535,140	66,071,157	13.52362
2004-2005	458,097,534	65,307,399	13.57896
2003-2004	477,138,783	60,053,193	13.31915
2002-2003	470,594,593	46,139,452	13.15690
2001-2002	442,301,775	31,155,430	13.66552

The assessed valuation for the 2004-2005 school year dropped due to the state imposed agriculture rollback.

### Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements. The District has three kinds of funds:
  - The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
  - The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
  - The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

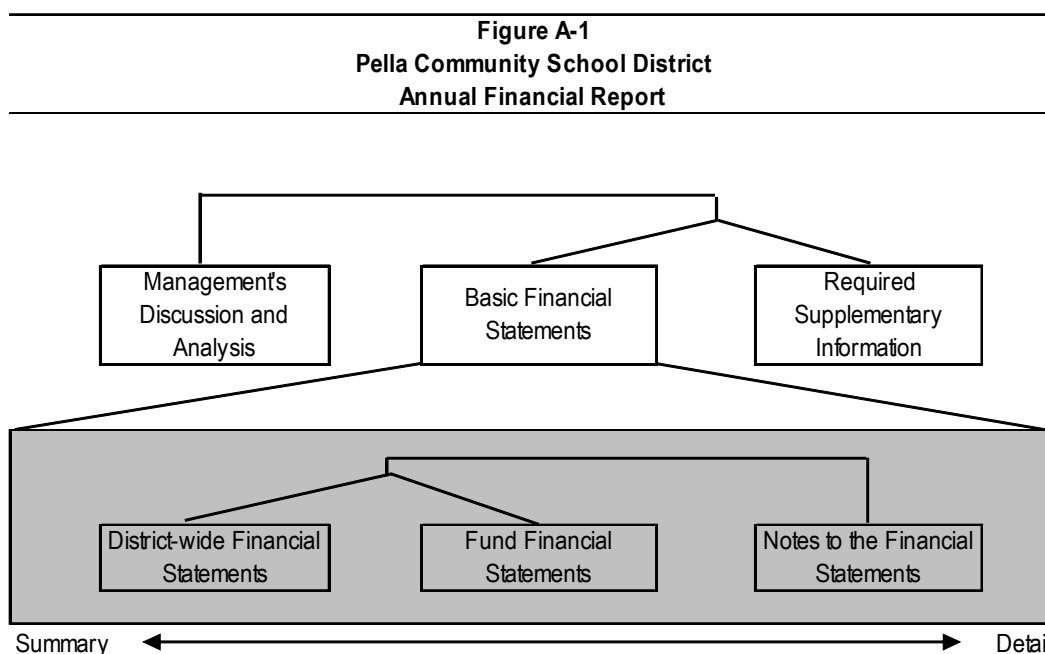




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Community Services	Special Projects

## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school food service program would be included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

*Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

*Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

*Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

**Net assets** – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to 2010.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
	<b>Governmental Activities</b>		<b>Business type activities</b>		<b>Total</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2010-2011</b>
Current assets	\$ 15,938,155	14,416,134	412,078	340,920	16,350,233	14,757,054	10.8%
Noncurrent assets	31,541,960	32,323,721	248,239	258,328	31,790,199	32,582,049	-2.4%
Total assets	47,480,115	46,739,855	660,317	599,248	48,140,432	47,339,103	1.7%
Current liabilities	13,609,523	13,251,842	17,691	23,691	13,627,214	13,275,533	2.6%
Noncurrent liabilities	13,849,363	15,202,242	26,338	13,272	13,875,701	15,215,514	-8.8%
Total liabilities	27,458,886	28,454,084	44,029	36,963	27,502,915	28,491,047	-3.5%
Net assets:							
Invested in capital assets, net of related debt	16,781,960	15,953,721	248,239	258,328	17,030,199	16,212,049	5.0%
Restricted	1,909,953	1,514,866	-	-	1,909,953	1,514,866	26.1%
Unrestricted	1,329,316	817,184	368,049	303,957	1,697,365	1,121,141	51.4%
Total net assets	\$ 20,021,229	18,285,771	616,288	562,285	20,637,517	18,848,056	9.5%

The District's combined net assets increased by 9.5% from \$18,848,056 to \$20,637,517.

**Pella Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2011**

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2011

**Figure A-4  
Changes in Net Assets**

	<b>Governmental activities</b>		<b>Business type activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>June 30,</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2010-2011</b>
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$1,629,176	1,422,589	745,758	747,650	2,374,934	2,170,239	9.43%
Operating grants and contributions	4,068,226	3,357,258	346,622	359,357	4,414,848	3,716,615	18.79%
General Revenues:							
Local taxes	9,015,673	9,049,324	-	-	9,015,673	9,049,324	-0.37%
Statewide sales, services and use tax	1,446,382	1,267,611	-	-	1,446,382	1,267,611	14.10%
Unrestricted state grants	7,986,546	6,527,739	-	-	7,986,546	6,527,739	22.35%
Investment earnings	10,947	11,769	977	777	11,924	12,546	-4.96%
Other	311,012	286,727	-	-	311,012	286,727	8.47%
Total revenues	24,467,962	21,923,017	1,093,357	1,107,784	25,561,319	23,030,801	10.99%
<b>Expenses:</b>							
Program expenses:							
Instruction	15,034,517	14,086,832	-	-	15,034,517	14,086,832	6.73%
Support services - students & staff	1,180,385	1,183,463	-	-	1,180,385	1,183,463	-0.26%
Support services - administration	1,703,463	2,037,160	-	-	1,703,463	2,037,160	-16.38%
Operations and maintenance	1,984,017	1,828,208	-	-	1,984,017	1,828,208	8.52%
Transportation	994,445	974,797	-	-	994,445	974,797	2.02%
Non-instructional activities	78,139	75,160	1,039,354	1,034,535	1,117,493	1,109,695	0.70%
Other expenditures	1,757,538	1,779,935	-	-	1,757,538	1,779,935	-1.26%
Total expenses	22,732,504	21,965,555	1,039,354	1,034,535	23,771,858	23,000,090	3.36%
Change in net assets	\$1,735,458	(42,538)	54,003	73,249	1,789,461	30,711	5726.78%

**Governmental Activities**

Local taxes and unrestricted state grants account for 69.5 percent of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 91.9 percent of the total expenses.

Revenues for governmental activities were \$24,467,962 and expenses were \$22,732,504, resulting in a net asset increase of \$1,735,458.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5  
Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>		<b>Change</b>	<b>Net Cost of Services</b>		<b>Change</b>
	<b>2011</b>	<b>2010</b>	<b>2010-2011</b>	<b>2011</b>	<b>2010</b>	<b>2010-2011</b>
Instruction	\$ 15,034,517	14,086,832	6.7%	10,375,119	10,297,996	0.7%
Support services	5,862,310	6,023,628	-2.7%	5,712,120	5,889,495	-3.0%
Non-instructional programs	78,139	75,160	4.0%	78,139	75,160	4.0%
Other expenses	1,757,538	1,779,935	-1.3%	869,724	923,057	-5.8%
Totals	\$ 22,732,504	21,965,555	3.5%	17,035,102	17,185,708	-0.9%

- The cost financed by users of the District's programs was \$1,629,176.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,068,226.
- The net cost of governmental activities was financed with \$9,015,673 in local taxes, \$7,986,546 in unrestricted state grants, \$1,446,382 in statewide sales, services and use tax, \$10,947 in interest income and \$311,012 in other income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$1,093,357 and expenses were \$1,039,354. The District's business-type activities include Families First and the School Nutrition Fund. The School Nutrition Fund, however, accounts for 96.4 percent of the business-type activity. Revenues of these activities were comprised of \$745,758 in charges for service, \$346,622 in operating grants, contributions and restricted interest and unrestricted investment income of \$977. The net assets for business-type activities increased by \$54,003.

### **Financial Analysis of the District's Funds**

As previously noted, the Pella Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,121,416. This compares to \$2,891,156 last year, an increase of \$1,230,260. The majority of this increase was due to improved financial conditions compared to last year.

### **Governmental Fund Highlights**

- The General Fund balance increased \$836,301 from \$1,479,994 to \$2,316,295.
- The Capital Projects fund which consists of the following two accounts had these fund balance changes:
  - The Physical Plant & Equipment Levy (PPEL) Fund balance increased \$103,574 from \$112,551 to \$216,125.
  - The Statewide Sales, Services and Use Tax Fund balance increased \$288,891 from \$596,321 to \$885,212. The Statewide Sales, Services and Use Tax generated \$1,446,382. The District receives money from Jasper, Mahaska and Marion Counties. Interest income was \$3,682.
- The Debt Service Fund balance decreased \$1,865 from \$71,934 to \$70,069. Statewide sales, services and use taxes are used to maintain a debt service levy of \$2.24/\$1,000 or less, which was the amount in place when our most recent bond issue was passed.
- The non-major governmental funds consist of the following:
  - The Activity Fund balance decreased \$46,109 from \$278,393 to \$232,284.
  - The Management Fund balance increased \$49,468 from \$351,963 to \$401,431.

### **Proprietary Fund Highlights**

The District's Proprietary Funds include the School Nutrition Fund and Families First.

- The School Nutrition Fund net assets increased \$51,902, from \$552,114 to \$604,016.
- Families First is a community services oriented program. The revenues and expenditures of this program also run through the District's financial accounting records. This program is dependent upon contributions, grants and some user fees for its operation. The balance in this fund increased \$2,334, from \$10,171 to \$12,272.

## Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not separately presented in the budgetary comparison on page 42.

### Legal Budgetary Highlights

The District's total actual receipts were \$21,297 more than the total budgeted receipts, a variance of less than .01%. Total expenditures were \$1,064,992 less than the amended budget, a variance of 4.2%.

## Capital Assets and Debt Administration

### Capital Assets

At June 30, 2011, the District had invested \$31,790,199, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, musical instruments, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,515,524.

The original cost of the District's capital assets was \$51,743,310. Governmental funds account for \$50,707,459 with the remaining \$1,035,851 in the School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 1,690,900	1,690,900	-	-	1,690,900	1,690,900	0.0%
Buildings	25,665,268	26,383,838	-	-	25,665,268	26,383,838	-2.7%
Improvements other than buildings	2,802,844	2,866,196	-	-	2,802,844	2,866,196	-2.2%
Furniture and equipment	1,382,948	1,382,787	248,239	258,328	1,631,187	1,641,115	-0.6%
Totals	\$ 31,541,960	32,323,721	248,239	258,328	31,790,199	32,582,049	-2.4%

### Long-Term Debt

At June 30, 2011, the District had \$15,842,883 in general obligation bonds and other long-term debt. This is a decrease of \$1,233,336 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	June 30,		Total Change
	2011	2010	
General obligation bonds	\$ 12,730,000	13,760,000	-7.5%
Revenue bonds	2,030,000	2,610,000	-22.2%
Early retirement	757,705	542,383	39.7%
Other postemployment benefits	325,178	163,866	98.4%
Totals	\$ 15,842,883	17,076,249	-7.2%

**Pella Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2011**

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The District had total outstanding bonded indebtedness at June 30, 2011 of \$12,730,000. This represents two separate bond issues, one of which will be retired in FY13 and the other in FY25. The District also has two outstanding revenue bond issues totaling \$2,030,000 as of June 30, 2011. Both of those issues will be retired in FY14.

The District also has a long-term debt obligation for its early retirement plan, which was \$757,705 at June 30, 2011. Retiring employees are currently allowed to receive payments until they reach age 65. This obligation is paid from the District's Management Fund. Other postemployment benefits total \$325,178.

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's "Green Committee" continues to look for ways to become more environmentally friendly by recycling and reducing consumption. An innovative roof replacement system was installed in the past year that resulted in less material being taken to the local landfill and should enhance the energy efficiency of the buildings it was installed on. There is an ongoing effort to reduce the amount of paper used by staff and students, while increasing the use of technology to enhance efficiency and productivity.
- The October, 2011 enrollment remained relatively steady with a 12.8 student decrease. This decrease will reduce funding for the 2012-2013 school year. Allowable growth has been set at 2% for 2012-2013, so this new money will help offset some of the loss in funding due to the enrollment decrease.
- The District's transportation fleet remains in good shape overall. This past year one bus and one support vehicle were purchased.
- Pella is home to the corporate headquarters of Pella Corporation and Vermeer Manufacturing. Pella Corporation has been particularly affected by the depressed housing market, evidenced by recent employee layoffs at the Pella plant. The property tax base, however, still remains solid at this point and housing starts continue, though not nearly as strong as in the past. There might be a negative impact on the income surtax dollars received by the District due to these reductions in hours and layoffs.
- The Pella Community School District is very unique in that it does not have a collective bargaining agreement with its teachers. There continues to be a very amicable relationship between management and labor.
- There was a change in leadership as the Superintendent of Schools retired on June 30, 2011.
- All in all, the 2010-2011 school year was a good year financially. The 2011-2012 school year seems manageable at this point thanks to improved funding, but the District remains cautious about any potential adverse action by the Legislature that could negatively impact funding.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roger DeWaard, Business Manager, Pella Community School District, 210 E. University, P.O. Box 468, Pella, Iowa, 50219.

## **Basic Financial Statements**



**Exhibit A**
**Pella Community School District**  
**Statement of Net Assets**  
**June 30, 2011**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 5,707,780	380,283	6,088,063
Receivables:			
Property tax:			
Delinquent	81,922	-	81,922
Succeeding year	8,979,183	-	8,979,183
Due from other governments	971,428	-	971,428
Inventories	27,511	27,171	54,682
Prepaid expense	170,331	4,624	174,955
Total current assets	15,938,155	412,078	16,350,233
Noncurrent assets:			
Capital assets, nondepreciable	1,690,900	-	1,690,900
Capital assets, depreciable, net	29,851,060	248,239	30,099,299
Total noncurrent assets	31,541,960	248,239	31,790,199
<b>Total assets</b>	<b>\$ 47,480,115</b>	<b>660,317</b>	<b>48,140,432</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 265,599	1,326	266,925
Salaries and benefits payable	1,340,567	15,511	1,356,078
Due to other governments	13,065	-	13,065
Accrued interest payable	47,723	-	47,723
Unearned revenue:			
Succeeding year property tax	8,979,183	-	8,979,183
Other	936,143	-	936,143
General obligation bonds payable	1,070,000	-	1,070,000
Revenue bonds payable	615,000	-	615,000
Early retirement	282,182	-	282,182
Compensated absences	60,061	854	60,915
Total current liabilities	13,609,523	17,691	13,627,214
Noncurrent liabilities:			
General obligation bonds payable	11,660,000	-	11,660,000
Revenue bonds payable	1,415,000	-	1,415,000
Early retirement	475,523	-	475,523
Other post employment benefits	298,840	26,338	325,178
Total noncurrent liabilities	13,849,363	26,338	13,875,701
<b>Total liabilities</b>	<b>27,458,886</b>	<b>44,029</b>	<b>27,502,915</b>

**Exhibit A****Pella Community School District  
Statement of Net Assets  
June 30, 2011**

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	16,781,960	248,239	17,030,199
Restricted for:			
Categorical funding	356,143	-	356,143
Management levy purposes	-	-	-
Physical plant and equipment levy	216,125	-	216,125
Student activities	232,284	-	232,284
School infrastructure	496,712	-	496,712
Debt service	410,847	-	410,847
Purpose restricted	197,842	-	197,842
Unrestricted	1,329,316	368,049	1,697,365
<b>Total net assets</b>	<b>20,021,229</b>	<b>616,288</b>	<b>20,637,517</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,480,115</b>	<b>660,317</b>	<b>48,140,432</b>

See notes to financial statements.

Exhibit B

**Pella Community School District  
Statement of Activities  
Year Ended June 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Functions/Programs					Total
Governmental activities:					
Instruction:					
Regular	\$ 9,213,679	540,179	2,301,605	(6,371,895)	- (6,371,895)
Special	2,591,904	275,104	695,140	(1,621,660)	- (1,621,660)
Other	3,228,934	805,217	42,153	(2,381,564)	- (2,381,564)
	15,034,517	1,620,500	3,038,898	(10,375,119)	- (10,375,119)
Support Service:					
Student	335,588	-	-	(335,588)	- (335,588)
Instructional staff	844,797	-	-	(844,797)	- (844,797)
Administration	1,703,463	-	-	(1,703,463)	- (1,703,463)
Operating and maintenance of plant	1,984,017	8,676	141,514	(1,833,827)	- (1,833,827)
Transportation	994,445	-	-	(994,445)	- (994,445)
	5,862,310	8,676	141,514	(5,712,120)	- (5,712,120)
Non-instructional programs	78,139	-	-	(78,139)	- (78,139)
Other expenditures:					
Long-term debt interest	692,831	-	-	(692,831)	- (692,831)
AEA flowthrough	887,814	-	887,814	-	-
Depreciation (unallocated)*	176,893	-	-	(176,893)	- (176,893)
	1,757,538	-	887,814	(869,724)	- (869,724)
Total governmental activities	22,732,504	1,629,176	4,068,226	(17,035,102)	- (17,035,102)
Business type activities:					
Non-instructional programs:					
Community services	50,857	26,736	26,222	-	2,101 2,101
Nutrition services	988,497	719,022	320,400	-	50,925 50,925
Total business type activities	1,039,354	745,758	346,622	-	53,026 53,026
Total primary government	\$ 23,771,858	2,374,934	4,414,848	(17,035,102)	53,026 (16,982,076)

Exhibit B

Pella Community School District  
Statement of Activities  
Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Operating Grants, Contributions and Restricted			
	Expenses	Charges for Service	Interest	Governmental Activities	Business Type Activities
					Total
<b>Totals continued from previous pages</b>	<b>\$ 23,771,858</b>	<b>2,374,934</b>	<b>4,414,848</b>	<b>(17,035,102)</b>	<b>53,026</b>
General Revenues:					
Property tax levied for:					
General purposes				7,220,298	-
Debt service				1,142,409	-
Capital outlay				652,966	-
Statewide sales, services and use tax				1,446,382	-
Unrestricted state grants				7,986,546	-
Unrestricted investment earnings				10,947	977
Contributions not restricted to specific programs				131,720	-
Gain on disposal of capital assets				579	-
Other				178,713	-
Total general revenues				18,770,560	977
Change in net assets				1,735,458	54,003
Net assets beginning of year				18,285,771	562,285
Net assets end of year				\$ 20,021,229	616,288

\*This amount excludes the depreciation included in the direct expenses of the various programs

See notes to financial statements.

**Exhibit C**

**Pella Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,704,639	59,802	1,020,919	922,420	5,707,780
Receivables:					
Property tax:					
Current year delinquent	60,977	10,243	5,855	4,847	81,922
Succeeding year	6,711,768	1,143,070	674,342	450,003	8,979,183
Due from other governments	850,558	24	120,835	11	971,428
Inventories	27,511	-	-	-	27,511
Prepaid expenses	170,331	-	-	-	170,331
<b>Total assets</b>	<b>\$ 11,525,784</b>	<b>1,213,139</b>	<b>1,821,951</b>	<b>1,377,281</b>	<b>15,938,155</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 208,242	-	46,272	11,085	265,599
Salaries and benefits payable	1,340,271	-	-	296	1,340,567
Due to other governments	13,065	-	-	-	13,065
Early retirement payable	-	-	-	282,182	282,182
Deferred revenue:					
Succeeding year property tax	6,711,768	1,143,070	674,342	450,003	8,979,183
Other	936,143	-	-	-	936,143
<b>Total liabilities</b>	<b>9,209,489</b>	<b>1,143,070</b>	<b>720,614</b>	<b>743,566</b>	<b>11,816,739</b>
Fund balances:					
Restricted for:					
Inventories	27,511	-	-	-	27,511
Prepaid expense	170,331	-	-	-	170,331
Categorical funding	356,143	-	-	-	356,143
Debt service	-	70,069	388,500	-	458,569
Management levy purposes	-	-	-	401,431	401,431
Student activities	-	-	-	232,284	232,284
School infrastructure	-	-	496,712	-	496,712
Physical plant and equipment	-	-	216,125	-	216,125
Unassigned	1,762,310	-	-	-	1,762,310
<b>Total fund balances</b>	<b>2,316,295</b>	<b>70,069</b>	<b>1,101,337</b>	<b>633,715</b>	<b>4,121,416</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,525,784</b>	<b>1,213,139</b>	<b>1,821,951</b>	<b>1,377,281</b>	<b>15,938,155</b>

See notes to financial statements.

**Exhibit D****Pella Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Assets  
June 30, 2011**

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<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 4,121,416</b>
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***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	31,541,960
--	------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(47,723)
--	----------

Long-term liabilities, including bonds payable and early retirement, compensated absences, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(15,594,424)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 20,021,229</u></b>
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See notes to financial statements.

**Exhibit E**

**Pella Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Year ended June 30, 2011**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 6,719,307	1,142,409	2,099,348	500,991	10,462,055
Tuition	662,720	-	-	-	662,720
Other	302,162	312	20,650	911,027	1,234,151
Intermediate sources	29,017	-	-	-	29,017
State sources	10,596,399	394	225	186	10,597,204
Federal sources	1,482,236	-	-	-	1,482,236
Total revenues	19,791,841	1,143,115	2,120,223	1,412,204	24,467,383
Expenditures:					
Current:					
Instruction:					
Regular instruction	7,933,174	-	-	319,282	8,252,456
Special instruction	2,480,176	-	-	-	2,480,176
Other instruction	2,229,320	-	-	940,047	3,169,367
	12,642,670	-	-	1,259,329	13,901,999
Support services:					
Student services	364,250	-	-	775	365,025
Instructional staff services	957,686	-	-	465	958,151
Administration services	1,470,672	-	150,570	5,099	1,626,341
Operation and maintenance of plant services	1,763,675	-	25,609	115,151	1,904,435
Transportation services	873,271	-	-	28,026	901,297
	5,429,554	-	176,179	149,516	5,755,249
Other expenditures:					
Facilities acquisition	-	-	390,406	-	390,406
Long-term debt:					
Principal	-	1,610,000	-	-	1,610,000
Interest	-	693,703	-	-	693,703
Fiscal charges	-	2,450	-	-	2,450
AEA flowthrough	887,814	-	-	-	887,814
	887,814	2,306,153	390,406	-	3,584,373
Total expenditures	18,960,038	2,306,153	566,585	1,408,845	23,241,621
Excess (deficiency) of revenues over (under) expenditures	831,803	(1,163,038)	1,553,638	3,359	1,225,762

**Exhibit E****Pella Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Year ended June 30, 2011**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources (uses):					
Proceeds from sale of assets	4,498	-	-	-	4,498
Operating transfers in	-	1,161,173	-	-	1,161,173
Operating transfers out	-	-	(1,161,173)	-	(1,161,173)
Total other financing sources (uses)	4,498	1,161,173	(1,161,173)	-	4,498
Net change in fund balances	836,301	(1,865)	392,465	3,359	1,230,260
Fund balances beginning of year, as restated	1,479,994	71,934	708,872	630,356	2,891,156
Fund balances end of year	\$ 2,316,295	70,069	1,101,337	633,715	4,121,416

See notes to financial statements.



**Exhibit F****Pella Community School District  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds to the Statement of Activities  
Year ended June 30, 2011**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 1,230,260**

***Amounts reported for governmental activities in the  
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 699,036	
Depreciation expense	(1,476,878)	
Proceeds from sale of capital assets	(4,498)	
Gain on disposal of capital assets	<u>579</u>	(781,761)

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. The amounts of long-term liabilities issued and repaid are as follows:

Repaid	1,610,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

3,322

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(183,875)	
Compensated absences	5,758	
Other postemployment benefits	<u>(148,246)</u>	(326,363)

**Change in net assets of governmental activities (Exhibit B)** **\$ 1,735,458**

See notes to financial statements.

**Exhibit G**

**Pella Community School District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	Non-Major Enterprise Funds
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 380,283
Inventories	27,171
Prepaid expense	4,624
Total current assets	<u>412,078</u>
Noncurrent assets:	
Property and equipment:	
Machinery and equipment	1,035,851
Accumulated depreciation	<u>(787,612)</u>
Total noncurrent assets	<u>248,239</u>
<b>Total assets</b>	<u><u>\$ 660,317</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 1,326
Salaries and benefits payable	15,511
Compensated absences	854
Total current liabilities	<u>17,691</u>
Noncurrent liabilities:	
Other postemployment benefits	<u>26,338</u>
<b>Total liabilities</b>	<u>44,029</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	248,239
Unrestricted	<u>368,049</u>
<b>Total net assets</b>	<u>616,288</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 660,317</u></u>

See notes to financial statements.

**Exhibit H****Pella Community School District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2011**

	<u>Non-Major Enterprise Funds</u>
Operating revenue:	
Local sources:	
Operating revenues	<u>\$ 745,758</u>
Operating expenses:	
Non-instructional programs:	
Community service operations:	
Other	50,857
Food service operations:	
Depreciation	38,646
Other	949,851
Total operating expenses	<u>1,039,354</u>
Operating loss	<u>(293,596)</u>
Non-operating revenue:	
Local sources	27,199
State sources	9,150
Federal sources	311,250
Total non-operating revenue	<u>347,599</u>
Increase in net assets	54,003
Net assets beginning of year	<u>562,285</u>
Net assets end of year	<u><u>\$ 616,288</u></u>

See notes to financial statements.

**Exhibit I**

**Pella Community School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2011**

	Non-Major Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 718,824
Cash received from service tuition, fees and other sources	26,934
Cash payments to employees for services	(481,398)
Cash payments to suppliers for goods or services	(451,274)
Net cash used by operating activities	(186,914)
Cash flows from non-capital financing activities:	
Operating grants and contributions received	26,222
State grants received	9,150
Federal grants received	252,743
Net cash provided by non-capital financing activities	288,115
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(28,557)
Net cash used by capital and related financing activities	(28,557)
Cash flows from investing activities:	
Interest on investments	977
Net cash provided by investing activities	977
Net increase in cash and cash equivalents	73,621
Cash and cash equivalents at beginning of year	271,662
Cash and cash equivalents at end of year	\$ 345,283
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (293,596)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities	58,507
Depreciation	38,646
Decrease in inventories	1,409
Decrease in prepaid expense	1,054
(Decrease) in accounts payable	(4,059)
(Decrease) in salaries and benefits payable	(2,005)
Increase in compensated absences payable	64
Increase in other postemployment benefits payable	13,066
Net cash used by operating activities	\$ (186,914)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash and investments	\$ 380,283
Less items not meeting definition of cash equivalents:	
Certificates of deposit	(35,000)
Cash and cash equivalents at year end	\$ 345,283

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$58,507.

See notes to financial statements.

**Exhibit J****Pella Community School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011**

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$ 101,549	74,642
<b>Total assets</b>	<b>101,549</b>	<b>74,642</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	-	3,409
<b>Total liabilities</b>	<b>-</b>	<b>3,409</b>
<b>Net assets</b>		
Held in trust for scholarships and special projects	101,549	71,233
<b>Total net assets</b>	<b>\$ 101,549</b>	<b>71,233</b>

See notes to financial statements.

**Exhibit K****Pella Community School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended June 30, 2011**

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
Additions:		
Local sources:		
Contributions and donations	\$ -	56,436
Interest	1,400	-
Total revenues	1,400	56,436
Deductions:		
Instruction:		
Supplies	-	56,008
Other	1,400	-
Total expenditures	1,400	56,008
Change in net assets	-	428
Net assets beginning of year	101,549	70,805
Net assets end of year	\$ 101,549	71,233

See notes to financial statements.

**(1) Summary of Significant Accounting Policies**

Pella Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Pella, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Pella Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Pella Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:



Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise funds of the District are considered non-major:

Community Services: This fund accounts for child after school operations and for community-family service operations authorized by Iowa Code 298A.12 and 279.49.

Nutrition Services: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

**Fiduciary Fund Types:** Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund types:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Expendable Trust Fund: These funds account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

Restricted Net Assets – In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Interfund Transfers**

The *detail* of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,161,173
		<u>\$ 1,161,173</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,690,900	-	-	1,690,900
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,690,900	-	-	1,690,900
Capital assets being depreciated:				
Buildings	35,550,392	136,712	-	35,687,104
Improvements other than buildings	3,632,962	148,496	-	3,781,458
Furniture and equipment	9,333,698	413,828	199,529	9,547,997
Total capital assets being depreciated	48,517,052	699,036	199,529	49,016,559
Less accumulated depreciation for:				
Buildings	9,166,554	855,282	-	10,021,836
Improvements other than buildings	766,766	211,848	-	978,614
Furniture and equipment	7,950,911	409,748	195,610	8,165,049
Total accumulated depreciation	17,884,231	1,476,878	195,610	19,165,499
Total capital assets being depreciated, net	30,632,821	(777,842)	3,919	29,851,060
Governmental activities capital assets, net	\$ 32,323,721	(777,842)	3,919	31,541,960
<b>Business type activities:</b>				
Furniture and equipment	\$ 1,007,294	28,557	-	1,035,851
Less accumulated depreciation	748,966	38,646	-	787,612
Business type activities capital assets, net	\$ 258,328	(10,089)	-	248,239
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 752,740
Special education				83,245
Other				52,028
Support services:				
Student support				11,139
Instructional staff				81,653
Administration				10,456
Operation and maintenance of plant				72,436
Transportation				158,149
Non-instructional programs				78,139
				1,299,985
Unallocated				176,893
Total depreciation expense - governmental activities				\$ 1,476,878
Business type activities:				
Food services				\$ 38,646

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governemntal activities:					
General obligation bonds	\$ 13,760,000	-	1,030,000	12,730,000	1,070,000
Revenue bonds	2,610,000	-	580,000	2,030,000	615,000
Early retirement	542,383	466,057	250,735	757,705	282,182
Other postemployment benefits	150,594	148,246	-	298,840	-
Total governmental activities	<u>\$ 17,062,977</u>	<u>614,303</u>	<u>1,860,735</u>	<u>15,816,545</u>	<u>1,967,182</u>
Business type activities:					
Other postemployment benefits	<u>\$ 13,272</u>	<u>13,066</u>	<u>-</u>	<u>26,338</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Bond Issue of June 1, 2005				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.00%	560,000	533,875	1,093,875
2013	4.00%	590,000	511,475	1,101,475
2014	4.00%	680,000	487,875	1,167,875
2015	4.00%	715,000	460,675	1,175,675
2016	4.00%	750,000	432,075	1,182,075
2017	4.50%	775,000	402,075	1,177,075
2018	4.50%	810,000	367,200	1,177,200
2019	4.50%	850,000	330,750	1,180,750
2020	5.00%	885,000	292,500	1,177,500
2021	5.00%	925,000	248,250	1,173,250
2022	5.00%	970,000	202,000	1,172,000
2023	5.00%	1,015,000	153,500	1,168,500
2024	5.00%	1,065,000	102,750	1,167,750
2025	4.50%	1,100,000	49,500	1,149,500
Subtotal		<u>11,690,000</u>	<u>4,574,500</u>	<u>16,264,500</u>

Refunding Bond Issue of November 1, 2008				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.73%	510,000	38,792	548,792
2013	3.73%	530,000	19,769	549,769
Subtotal		<u>1,040,000</u>	<u>58,561</u>	<u>1,098,561</u>

**Pella Community School District**  
**Notes to Financial Statements**  
**June 30, 2011**

Total			
Year ending June 30,	Principal	Interest	Total
2012	1,070,000	572,667	1,642,667
2013	1,120,000	531,244	1,651,244
2014	680,000	487,875	1,167,875
2015	715,000	460,675	1,175,675
2016	750,000	432,075	1,182,075
2017	775,000	402,075	1,177,075
2018	810,000	367,200	1,177,200
2019	850,000	330,750	1,180,750
2020	885,000	292,500	1,177,500
2021	925,000	248,250	1,173,250
2022	970,000	202,000	1,172,000
2023	1,015,000	153,500	1,168,500
2024	1,065,000	102,750	1,167,750
2025	1,100,000	49,500	1,149,500
Total	\$ 12,730,000	4,633,061	17,363,061

Revenue Bonds

Details of the District's June 30, 2011 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of June 1, 1997				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.60%	190,000	22,232	212,232
2013	3.75%	200,000	15,393	215,393
2014	3.85%	205,000	7,892	212,892
Subtotal		595,000	45,517	640,517
Bond Issue of May 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	2.750%	425,000	44,550	469,550
2013	3.125%	490,000	32,862	522,862
2014	3.375%	520,000	17,550	537,550
Subtotal		1,435,000	94,962	1,529,962
Total				
Year ending June 30,		Principal	Interest	Total
2012		615,000	66,782	681,782
2013		690,000	48,255	738,255
2014		725,000	25,442	750,442
Total		\$ 2,030,000	140,479	2,170,479

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,750,000 bonds issued in June, 1997 and the \$2,135,000 bonds issued in May, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the June, 1997 and May, 2009 notes is \$640,517 and \$1,529,962, respectively. For the current year, principal of \$180,000 and interest of \$27,423 was paid on the June, 1997 bonds and principal of \$400,000 and interest of \$53,750 was paid on the May, 2009 bonds. Total statewide sales, services and use tax revenues were \$1,446,382.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$175,000 of the proceeds from the issuance of the revenue bonds issued in June, 1997 and \$213,500 of the proceeds from the issuance of the revenue bonds issued in May, 2009 must be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement incentive for each eligible employee is based on a percentage of the employee's final year's salary. The percentage used for calculation is based on years of service to the District. The percentage varies from 38% for 10 years of service to 57% for 15 or more years of experience.

Early retirement benefits are paid monthly over the number of months until the employee turns 65. If the retiree is of an age that these monthly payments would exceed 36 months, the retiree may request payment over 36 months.

At June 30, 2011, the District has obligations to 31 participants with a total liability of \$757,705. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$250,735.

#### **(6) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 321 active and 31 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 years within the 12 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC



represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 127,045
Interest on net OPEB obligation	5,263
Annual OPEB cost	<u>132,308</u>
Contributions made	<u>(17,637)</u>
Increase in net OPEB obligation	114,671
Net OPEB obligation beginning of year	<u>210,507</u>
Net OPEB obligation end of year	<u><u>\$ 325,178</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$17,637 to the medical plan. Plan members eligible for benefits contributed \$82,834 or 82% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 133,198	38.40%	\$ 210,507
June 30, 2011	132,308	13.33%	325,178

**Funded Status and Funding Progress** - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$938,941, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$938,941. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$12,390,672, and the ratio of the UAAL to covered payroll was 7.6%. As of June 30, 2011, there were no trust fund assets.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$358 per month for retirees who have attained age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$854,509, \$819,555, and \$763,693, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Pella Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$887,814 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 596,321	112,551
Change in fund type classification per implementation of GASB Statement No. 54	112,551	(112,551)
Balances July 1, 2010, as restated	<u>\$ 708,872</u>	<u>-</u>

### **Required Supplementary Information**

Pella Community School District  
 Budgetary Comparison Schedule of Revenues, Expenditures and Change in Balances  
 Budget and Actual - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 12,358,926	772,957	13,131,883	13,264,094	13,264,094	(132,211)
Intermediate sources	29,017	-	29,017	45,000	45,000	(15,983)
State sources	10,597,204	9,150	10,606,354	11,398,483	11,398,483	(792,129)
Federal sources	1,482,236	311,250	1,793,486	831,866	831,866	961,620
Total revenues	24,467,383	1,093,357	25,560,740	25,539,443	25,539,443	21,297
Expenditures:						
Instruction	13,901,999	-	13,901,999	14,147,735	14,366,766	464,767
Support services	5,755,249	-	5,755,249	6,077,200	6,077,200	321,951
Noninstructional programs	-	1,039,354	1,039,354	1,047,970	1,068,044	28,690
Other expenditures	3,584,373	-	3,584,373	3,654,531	3,833,957	249,584
Total expenditures	23,241,621	1,039,354	24,280,975	24,927,436	25,345,967	1,064,992
Excess (deficiency) of revenues over (under) expenditures	1,225,762	54,003	1,279,765	612,007	193,476	1,086,289
Other financing sources, net	4,498	-	4,498	-	-	4,498
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,230,260	54,003	1,284,263	612,007	193,476	1,090,787
Balances beginning of year	2,891,156	562,285	3,453,441	3,795,931	3,795,931	(342,490)
Balances end of year	\$ 4,121,416	616,288	4,737,704	4,407,938	3,989,407	748,297

See accompanying independent auditor's report.

**Pella Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2011**

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This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$418,531.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

**Pella Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**  
**Year ended June 30, 2011**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	835,783	835,783	0.0%	\$ 11,754,674	7.1%
2010	July 1, 2008	-	835,783	835,783	0.0%	11,975,928	7.0%
2011	July 1, 2010	-	938,941	938,941	0.0%	12,390,672	7.6%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

### **Other Supplementary Information**

**Pella Community School District  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2011**

See accompanying independent auditor's report.



**Schedule 2**

**Pella Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year Ended June 30, 2011**

	Special Revenue Funds		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	500,991	-	500,991
Other	17,089	893,938	911,027
State sources	186	-	186
Total revenues	518,266	893,938	1,412,204
Expenditures:			
Current:			
Instruction:			
Regular	319,282	-	319,282
Other	-	940,047	940,047
Support services:			
Administration	6,339	-	6,339
Operation and maintenance of plant	115,151	-	115,151
Student transportation:	28,026	-	28,026
Total expenditures	468,798	940,047	1,408,845
Excess (deficiency) of revenues over (under) expenditures	49,468	(46,109)	3,359
Fund balances beginning of year, as restated	351,963	278,393	630,356
Fund balances end of year	\$ 401,431	232,284	633,715

See accompanying independent auditor's report.

## Schedule 3

**Pella Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2011**

		Capital Projects		
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments		\$ 764,390	256,529	1,020,919
Receivables:				
Property tax:				
Current year delinquent		-	5,855	5,855
Succeeding year		-	674,342	674,342
Due from other governments		120,822	13	120,835
<b>Total assets</b>		<b>\$ 885,212</b>	<b>936,739</b>	<b>1,821,951</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable		\$ -	46,272	46,272
Deferred revenue:				
Succeeding year property tax		-	674,342	674,342
Total liabilities		-	720,614	720,614
Fund balances:				
Restricted for:				
Debt service		388,500	-	388,500
School infrastructure		496,712	-	496,712
Physical plant and equipment		-	216,125	216,125
Total fund balances		885,212	216,125	1,101,337
<b>Total liabilities and fund balances</b>		<b>\$ 885,212</b>	<b>936,739</b>	<b>1,821,951</b>

See accompanying independent auditor's report.

**Pella Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2011**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax:			
Property tax	\$ -	646,157	646,157
Utility tax replacement excise tax	-	6,395	6,395
Mobile home tax	-	414	414
Statewide sales, services and use tax	1,446,382	-	1,446,382
	<u>1,446,382</u>	<u>652,966</u>	<u>2,099,348</u>
Other local sources:			
Interest on investments	3,682	312	3,994
Other	-	16,656	16,656
	<u>3,682</u>	<u>16,968</u>	<u>20,650</u>
	<u>1,450,064</u>	<u>669,934</u>	<u>2,119,998</u>
State sources:			
Revenue in lieu of taxes - military credit	-	225	225
Total revenues	<u>1,450,064</u>	<u>670,159</u>	<u>2,120,223</u>
Expenditures:			
Current:			
Support Services:			
Administration:			
Services	-	19,655	19,655
Supplies	-	47,882	47,882
Property	-	83,033	83,033
	<u>-</u>	<u>150,570</u>	<u>150,570</u>
Operation and maintenance of plant:			
Property	-	25,609	25,609
Total support services	<u>-</u>	<u>176,179</u>	<u>176,179</u>
Other expenditures:			
Facilities acquisition and construction:			
Services	-	389,804	389,804
Other	-	602	602
	<u>-</u>	<u>390,406</u>	<u>390,406</u>
Total expenditures	<u>-</u>	<u>566,585</u>	<u>566,585</u>
Excess (deficiency) of revenues over (under) expenditures	1,450,064	103,574	1,553,638
Other financing uses:			
Operating transfers out	(1,161,173)	-	(1,161,173)
Excess of revenues over expenditures and other financing uses	288,891	103,574	392,465
Fund balances beginning of year, as restated	596,321	112,551	708,872
Fund balances end of year	<u>\$ 885,212</u>	<u>216,125</u>	<u>1,101,337</u>

See accompanying independent auditor's report.

**Schedule 5**
**Pella Community School District**  
**Combining Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 12,505	367,778	380,283
Inventories	-	27,171	27,171
Prepaid expense	-	4,624	4,624
Total current assets	12,505	399,573	412,078
Noncurrent assets:			
Property and equipment:			
Machinery and equipment	-	1,035,851	1,035,851
Accumulated depreciation	-	(787,612)	(787,612)
Total noncurrent assets	-	248,239	248,239
<b>Total assets</b>	<b>\$ 12,505</b>	<b>647,812</b>	<b>660,317</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 233	1,093	1,326
Salaries and benefits payable	-	15,511	15,511
Compensated absences	-	854	854
Total current liabilities	233	17,458	17,691
Noncurrent liabilities:			
Other postemployment benefits	-	26,338	26,338
<b>Total liabilities</b>	<b>233</b>	<b>43,796</b>	<b>44,029</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	-	248,239	248,239
Unrestricted	12,272	355,777	368,049
<b>Total net assets</b>	<b>12,272</b>	<b>604,016</b>	<b>616,288</b>
<b>Total liabilities and net assets</b>	<b>\$ 12,505</b>	<b>647,812</b>	<b>660,317</b>

See accompanying independent auditor's report.

**Schedule 6**

**Pella Community School District  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2011**

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
Operating revenues:			
Local sources:			
Other local sources:			
Community service tuition and fees	\$ 26,736	-	26,736
Sale of lunches and breakfasts	-	718,824	718,824
Other service revenue	-	198	198
Total operating revenues	26,736	719,022	745,758
Operating expenses:			
Non-instructional programs:			
Community service operations:			
Salaries	26,980	-	26,980
Benefits	3,939	-	3,939
Services	3,450	-	3,450
Supplies	16,488	-	16,488
	50,857	-	50,857
Food services operations:			
Salaries	-	337,807	337,807
Benefits	-	123,797	123,797
Services	-	26,351	26,351
Supplies	-	461,800	461,800
Other	-	96	96
Depreciation	-	38,646	38,646
	-	988,497	988,497
Total operating expenses	50,857	988,497	1,039,354
Operating loss	(24,121)	(269,475)	(293,596)
Non-operating revenues:			
Interest income	-	977	977
Operating grants and donations	26,222	-	26,222
State lunch and breakfast program claims	-	9,150	9,150
National School Lunch Program	-	224,949	224,949
School Breakfast Program	-	27,605	27,605
Team Nutrition Grant	-	189	189
Food distribution	-	58,507	58,507
Total non-operating revenues	26,222	321,377	347,599
Increase in net assets	2,101	51,902	54,003
Net assets beginning of year	10,171	552,114	562,285
Net assets end of year	\$ 12,272	604,016	616,288

See accompanying independent auditor's report.

**Schedule 7**

**Pella Community School District  
Combining Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2011**

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	718,824	718,824
Cash received from service tuition, fees and other sources	26,736	198	26,934
Cash payments to employees for services	(30,919)	(450,479)	(481,398)
Cash payments to suppliers for goods or services	(19,854)	(431,420)	(451,274)
Net cash used by operating activities	(24,037)	(162,877)	(186,914)
Cash flows from non-capital financing activities:			
Operating grants and contributions	26,222	-	26,222
State grants received	-	9,150	9,150
Federal grants received	-	252,743	252,743
Net cash provided by operating activities	26,222	261,893	288,115
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(28,557)	(28,557)
Net cash used by capital and related financing activities	-	(28,557)	(28,557)
Cash flows from investing activities:			
Interest on investments	-	977	977
Net cash provided by investing activities	-	977	977
Net increase (decrease) in cash and cash equivalents	2,185	71,436	73,621
Cash and cash equivalents at beginning of year	10,320	261,342	271,662
Cash and cash equivalents at end of year	\$ 12,505	332,778	345,283
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (24,121)	(269,475)	(293,596)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities	-	58,507	58,507
Depreciation	-	38,646	38,646
Decrease in inventories	-	1,409	1,409
Decrease in prepaid expense	-	1,054	1,054
(Decrease) in accounts payable	84	(4,143)	(4,059)
(Decrease) in salaries and benefits payable	-	(2,005)	(2,005)
Increase in compensated absences payable	-	64	64
Increase (Decrease) in other postemployment benefits payable	-	13,066	13,066
Net cash used by operating activities	\$ (24,037)	(162,877)	(186,914)

**Schedule 7****Pella Community School District  
Combining Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2011**

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>			
Current assets:			
Cash and investments	\$ 12,505	367,778	380,283
Less items not meeting definition of cash equivalents:			
Certificates of deposit	-	(35,000)	(35,000)
Cash and cash equivalents at year end	<u>\$ 12,505</u>	<u>332,778</u>	<u>345,283</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$58,507.

See accompanying independent auditor's report.

**Schedule 8**

**Pella Community School District  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2011**

Account	Balance Beginning of Year	Transfers In (Out)	Revenues	Expendi- tures	Balance End of Year
Booster/PTO Concessions	\$ 1,086	663	81,268	83,017	-
HS Drama	1,220	(1,344)	10,329	9,441	764
HS Musical	-	1,344	-	1,344	-
HS Speech	450	275	4,559	4,870	414
HS Debate	29	242	418	689	-
HS Vocal	17,488	100	53,717	53,983	17,322
HS Instr. Music	6,165	3,034	15,770	19,213	5,756
Marching Dutch Invitational	-	-	9,106	6,572	2,534
HS Instr. Music Fundraiser	76,598	100	172,287	227,916	21,069
Orchestra Trip Account	55	-	-	-	55
Orchestra	138	275	1,966	1,820	559
Vocal Music Trip Account	1,993	-	40,584	38,550	4,027
Band Uniform	19,752	75	15,325	6,877	28,275
Athletics	5,309	4,563	29,922	38,095	1,699
HS Boys Bask.	-	(7,932)	18,775	10,843	-
HS Football	-	(4,406)	68,394	63,988	-
HS Boys Soccer	-	2,349	11,352	13,701	-
HS Baseball	-	1,944	7,748	9,692	-
HS Track	-	3,408	1,402	4,810	-
HS Boys Cross Country	(316)	732	1,363	1,779	-
HS Boys Tennis	-	1,452	287	1,739	-
HS Boys Golf	-	2,400	135	2,535	-
HS Wrestling	-	(729)	4,465	3,736	-
HS Girls Basketball	-	(7,424)	14,405	6,981	-
HS Volleyball	-	(534)	8,869	8,335	-
HS Girls Soccer	-	(590)	4,596	4,006	-
HS Softball	-	481	5,375	5,856	-
HS Girls Track	-	2,767	2,372	5,139	-
HS Girls Cross Country	(316)	508	1,327	1,519	-
HS Girls Tennis	-	832	1,498	2,330	-
HS Girls Golf	-	3,100	60	3,160	-
HS Activity Tickets	-	(23,063)	23,063	-	-
HS Miscellaneous Activity	5,735	-	-	342	5,393
Girls Soccer Club	696	-	7,371	6,865	1,202
Girls Track Club	1,105	(1)	2,755	1,298	2,561
Boys Track Club	134	166	4,033	4,333	-
Boys Soccer Club	4,965	(1)	9,874	10,075	4,763
Boys Golf Club	7	-	-	-	7
Swimming Club	373	627	-	1,000	-
Pella Connection Club	2,627	-	432	1,084	1,975
HS Cheerleaders	804	51	12,571	11,390	2,036
HS Vending	2,421	(1)	5,727	4,621	3,526
HS Testing	4,142	(7,465)	6,100	840	1,937
Class of 2007	74	1	-	-	75
Class of 2009	75	-	-	-	75
Class of 2011	2,245	-	180	638	1,787
Class of 2012	1,435	-	3,095	3,302	1,228
Class of 2013	1,562	-	-	-	1,562
Class of 2014	-	-	147	-	147
Class of 2015	-	-	911	-	911
Softball Concessions	611	-	10,020	5,069	5,562
Baseball Concessions	(339)	-	1,668	301	1,028
Boys Basketball Concessions	5,129	(1)	6,059	6,877	4,310
Girls Golf Concessions	81	-	336	336	81



**Schedule 8**

**Pella Community School District  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2011**

Account	Balance Beginning of Year	Transfers In (Out)	Revenues	Expendi- tures	Balance End of Year
Drill Team	4,828	5,585	23,363	33,776	-
FFA	8,524	50	29,020	26,533	11,061
FHA	3,540	-	5,776	1,407	7,909
Humanities	645	-	-	-	645
Interest	444	(1,000)	1,335	717	62
Technology Student Association	7,288	50	1,058	2,251	6,145
National Honor Society	243	-	-	166	77
Pep Club	406	-	-	-	406
HS PE Heart Club	1,496	-	-	-	1,496
French Club	1,612	-	-	-	1,612
HS Student Council	760	50	1,482	1,982	310
Publications	51,516	125	49,892	56,943	44,590
Craft Show-Yearbook	189	-	-	189	-
HS Weight Club	1,550	-	700	274	1,976
HS Football Jerseys	9,283	-	9,968	8,309	10,942
Football Parents	2,063	-	19,853	16,924	4,992
Tennis Club	-	-	1,649	1,190	459
Wrestling Club	134	-	-	-	134
Girls Basketball Club	1,446	171	1,023	2,640	-
Volleyball Club	1,223	-	3,526	4,592	157
MS Vocal Music	4,467	50	8,519	11,809	1,227
MS Instrumental Music	4,237	50	850	1,733	3,404
MS Cross Country	-	17	-	17	-
MS Athletics	(350)	8,610	-	8,260	-
MS Boys Basketball	-	2,435	2,042	4,477	-
MS Football	-	1,619	3,320	4,939	-
MS Boys Track	-	758	837	1,595	-
MS Wrestling	-	992	-	992	-
MS Girls Basketball	-	1,934	1,302	3,236	-
MS Volleyball	-	538	2,132	2,670	-
MS Softball	-	1,423	10	1,433	-
MS Girls Track	-	389	60	449	-
MS Activity Tickets	-	(2,055)	2,055	-	-
MS Cheerleaders	57	-	31	68	20
MS Library/Book Fair	100	-	9,048	9,014	134
MS History Day Club	21	-	-	-	21
MS Gifted and Talented	700	-	-	-	700
MS Activity	4,012	(852)	11,649	11,245	3,564
MS Home Ec	339	-	914	432	821
MS Language Arts	267	-	-	155	112
MS Social Studies	304	-	-	-	304
MS AR Store	69	-	-	-	69
MS Publications	-	853	591	816	628
MS Student Council	1,796	(1)	152	269	1,678
Elementary PTO	130	-	-	-	130
Lincoln Elementary	138	211	4,958	5,307	-
Madison Elementary	309	-	11,171	8,468	3,012
Jefferson Elementary	1,028	-	3,583	3,863	748
Jefferson Recycling	46	-	53	-	99
Totals	\$ 278,393	-	893,938	940,047	232,284

See accompanying independent auditor's report.

## Schedule 9

**Pella Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 10,462,055	10,316,935	9,924,433	8,759,431	8,331,502	8,227,665	7,744,098	7,073,282	6,725,009	6,600,191
Tuition	662,720	696,529	614,100	498,004	623,795	592,952	601,419	489,605	201,329	216,030
Other	1,234,151	1,065,637	948,695	1,041,828	1,358,267	1,501,637	755,499	672,917	1,207,656	996,648
Intermediate sources	29,017	54,462	41,897	18,785	37,523	18,082	15,000	15,000	18,428	15,309
State sources	10,597,204	8,834,772	10,489,005	10,318,253	9,168,676	8,531,765	7,999,448	7,781,624	7,426,618	7,481,658
Federal sources	1,482,236	1,014,007	717,166	477,670	424,983	521,521	430,845	446,378	344,089	263,894
Total	<u>\$ 24,467,383</u>	<u>21,982,342</u>	<u>22,735,296</u>	<u>21,113,971</u>	<u>19,944,746</u>	<u>19,393,622</u>	<u>17,546,309</u>	<u>16,478,806</u>	<u>15,923,129</u>	<u>15,573,730</u>
Expenditures:										
Instruction:										
Regular	\$ 8,252,456	8,120,373	8,052,519	7,476,168	6,830,022	6,329,880	6,275,810	6,321,718	6,025,245	6,176,546
Special	2,480,176	2,361,109	2,332,868	2,344,069	2,028,208	1,781,523	2,183,808	2,062,595	1,859,024	1,706,911
Other	3,169,367	2,708,732	2,273,264	2,001,692	1,961,808	1,922,355	1,207,063	1,285,721	1,483,823	1,279,078
Support services:										
Student	365,025	385,386	412,003	386,123	302,002	306,129	325,470	499,204	484,767	444,537
Instructional staff	958,151	676,907	661,268	753,039	762,889	809,570	794,337	677,684	628,426	624,769
Administration	1,626,341	1,954,006	1,737,873	1,634,630	1,462,779	1,643,583	1,284,737	1,136,764	1,103,990	1,041,328
Operation and maintenance of plant services	1,904,435	1,759,611	1,809,861	1,847,350	1,706,062	1,675,658	1,489,740	1,639,083	1,383,316	1,284,975
Transportation	901,297	992,893	1,031,167	1,113,573	1,130,895	1,028,477	693,693	699,316	553,744	603,798
Non-instructional programs	-	-	-	-	-	-	296	16,086	11,350	7,467
Other expenditures:										
Facilities acquisition	390,406	2,972,609	1,989,527	2,849,534	9,094,847	4,020,376	1,760,941	597,119	361,383	354,533
Long-term debt:										
Principal	1,610,000	1,460,000	4,265,000	1,170,000	1,115,000	1,070,000	995,000	805,000	770,000	935,000
Interest and other charges	696,153	757,001	772,857	833,430	891,941	931,550	386,050	368,831	403,278	450,694
AEA flowthrough	887,814	856,878	781,173	732,846	660,488	610,764	586,232	592,881	604,874	608,706
Total	<u>\$ 23,241,621</u>	<u>25,005,505</u>	<u>26,119,380</u>	<u>23,142,454</u>	<u>27,946,941</u>	<u>22,129,865</u>	<u>17,983,177</u>	<u>16,702,002</u>	<u>15,673,220</u>	<u>15,518,342</u>

See accompanying independent auditor's report

**Schedule 10**

**Pella Community School District  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2011**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 27,605
National School Lunch Program	10.555	FY 11	283,456 *
			<u>311,061</u>
Team Nutrition Grant	10.574	FY 11	<u>189</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 11	121,367
ARRA - Title I Grants to Local Education Agencies - Recovery Act	84.389	FY 11	24,505
			<u>145,872</u>
Vocational Education - Basic Grants to States	84.048	FY 11	<u>29,174</u>
Special Education - State Program Improvement Grants for Children with Disabilities	84.323	FY 11	<u>140</u>
Special Education Technical Assistance and Dissemination to Improve Services & Results for children with Disabilities	84.326	FY 11	<u>1,218</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>66,602</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>14,490</u>
ARRA - State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund(SFSF) - Education State Grants, Recovery Act	84.394	FY 11	673,705
ARRA - State Fiscal Stabilization Fund(SFSF) - Government Services, Recovery Act	84.397	FY 11	100,094
			<u>773,799</u>
ARRA - Education Jobs Fund	84.410	FY 11	<u>99,610</u>
Area Education Agency (AEA 11):			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 11	129,901
ARRA - Special Education - Grants to States - Recovery Act	84.391	FY 11	101,940
			<u>231,841</u>
Total			<u>\$ 1,673,996</u>

\* Includes \$58,507 of non-cash rewards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Pella Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Education of Pella Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Pella Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pella Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pella Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pella Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Pella Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pella Community School District and other parties to whom Pella Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pella Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

December 6, 2011



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**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Board of Education of Pella Community School District:

**Compliance**

We have audited Pella Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Pella Community School District's major federal programs for the year ended June 30, 2011. Pella Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Pella Community School District's management. Our responsibility is to express an opinion on Pella Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pella Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pella Community School District's compliance with those requirements.

In our opinion, Pella Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

The management of Pella Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Pella Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Pella Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Pella Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pella Community School District and other parties to whom Pella Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

December 6, 2011



**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - Clustered programs:
    - CFDA Number 84.394 – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)
    - CFDA Number 84.397 – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pella Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, expenditures are recorded and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

CFDA Number 10.553: School breakfast Program  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2010  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act  
CFDA Number 84.397: ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act  
Federal Award Year: 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the certified budget amount.

IV-B-11 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

**Pella Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2011**

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- IV-D-11 Business Transactions - Business transactions between the District and District officials or employees for the year ended June 30, 2011 are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Chris Wimmer, Maintenance Director Owner of Construction Services	Construction	\$ 1,555

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

- IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-11 Certified Enrollment - A variance in the basic enrollment data certified to the Iowa Department of Education was noted.

Recommendation - The certified enrollment data should be corrected for students who exit the District.

Response - We will correct the certified enrollment in the future for students exiting the system.

Conclusion - Response accepted.

- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- IV-I-11 Deposits and Investments - One instance of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy was noted.

Recommendation - The depository resolution for the District should be corrected to include all depositories.

Response - We will correct the depository resolution.

Conclusion - Response accepted.

- IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

**Pella Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2011**

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- IV-L-11     Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	596,321
Revenues/transfers in:			
Sales tax revenues	\$	1,446,382	
Other local revenues		3,682	1,450,064
			<u>2,046,385</u>
Expenditures/transfers out:			
Transfers to other funds:			
Debt service funds	\$	1,161,173	1,161,173
			<u>1,161,173</u>
Ending balance		\$	<u>885,212</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation		Property Tax Dollars Reduced
Debt service levy	\$	1.92269	1,161,173